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Economic statistics: service statistics

Report of the Organisation for Economic Cooperation and Development on service statistics

Note by the Secretary-General

1. The Secretary-General has the honour to transmit herewith to the Statistical Commission an interim report of the Organisation for Economic Cooperation and Development (OECD) on service statistics. The document is transmitted to the Commission in accordance with a request of the Statistical Commission at its thirty-fourth session.** The interim report describes an OECD project to improve the coordination of international development work in the field of service statistics and sets out ideas on the development of a strategic approach.

2. The Statistical Commission is invited to consider and discuss the following questions:

(a) Are the proposals on coordination for service statistics as set out here appropriate?

(b) Does the Commission agree with the identification of measurement issues on service statistics in table 1?

(c) By what means could the participation of a wider range of countries, especially developing countries, in expert groups on service statistics be improved?

* E/CN.3/2004/1.

** See *Official Records of the Economic and Social Council, 2003, Supplement No. 4* (E/2003/24), para. 1.

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Report of the Organisation for Economic Cooperation and Development on service statistics[1]

Background

1. At the request of United Nations Statistical Commission in 2002, the Australian Bureau of Statistics (ABS) submitted a report[2] to the 2003 Commission meeting on the statistics of services. That report identified considerable progress in the measurement of services over the last 20 years through a wide range of current activities and active groups. Given continuing development needs, ABS identified two key issues:

(a) How current coordination mechanisms could be made more efficient to avoid duplication of effort and to identify and ensure coverage of essential issues;

(b) How to communicate conceptual/methodological outputs to all countries that need them.

2. In March 2003 the Statistical Commission invited the Organisation for Economic Cooperation and Development (OECD) to assist it by coordinating development work on service statistics that is being undertaken by international organizations and international expert groups. An important initial aim would be to develop proposals on a strategy for service statistics to be discussed at the 2005 session of the Commission.

The Australian Bureau of Statistics report in summary

3. The ABS paper reviewed international work concerning conceptual development and practical measurement issues in the field of service statistics. The paper considered work undertaken by various international groups and organizations on classification of services and products, price indexes for services international trade in services, and short-term indicators of service activity. Conceptual and measurement issues in some emerging cross-cutting areas, such as information and communication technologies (ICT), knowledge-based economy, innovation, globalization and non-profit institutions were also covered.

4. ABS concluded that many worthwhile initiatives have been completed in recent years, or are currently under way, that will significantly advance the cause of service statistics internationally. Pleasing progress has been made by international agencies, task forces and other expert groups. The paper highlighted, however, a number of areas where we might look to improve our collective efforts.

5. The main questions identified and summarized by ABS were the following:

(a) Whether the international statistical community needs to increase the priority of, and resources devoted to, service statistics — for instance, establishing the concepts, frameworks and techniques required for the measurement (including classification) of service activities in the economy, expanding measures of international trade in services, and specialized sectoral work on, for example, tourism, ICT, health and education. Whether there is also a need to review associated data-collection activities by international organizations for analytical

purposes to better reflect the economic importance of services. If more work is to be done, then what work should be undertaken and who should do it?

(b) Whether current coordination mechanisms could be made more efficient. What mechanisms could be put in place to ensure that the large number of expert groups looking at different aspects of service statistics work in a coordinated way to avoid duplication of effort and to ensure more coverage of issues? Should there also be greater membership of expert groups from countries outside Europe and North America? How can their agreed conceptual or methodological outputs be best communicated to all the countries that need them (e.g., via an international agency creating a web page with links to current work)?

(c) Given the importance attached to extending the range of service statistics by national Governments, especially measurement of trade in services and service output, how might the provision of practical measurement guidance to developing countries be coordinated?

Conclusions of and actions taken by the Statistical Commission in 2003 with regard to the services programme

6. In its report the Statistical Commission:

(a) Welcomed the comprehensive report on service statistics activities prepared by the Australian Bureau of Statistics;

(b) Noted the wide variety of activities relating to service statistics carried out by a large number of city and expert groups and voiced general support for these activities;

(c) Emphasized that the participation of developing countries in these expert groups needs to be facilitated;

(d) Noted the strong need for a project management approach and coordination of work in service statistics and suggested that OECD take the lead in this regard;

(e) Agreed that this coordination function should not be carried out by existing city groups, whose work should remain focused on methodological issues;

(f) Noted that such a coordination function would include a continuous overview of activities carried out, ensuring and facilitating communication between the different groups involved and identifying overlaps, links and gaps in the work on data-collection and methodological issues, as well as setting priorities for work on service statistics;

(g) Encouraged the provision of a single annual report on the work undertaken by the various expert and city groups on service statistics and requested that that report be submitted to the Commission;

(h) Suggested that the future work on implementation of the *Manual on Statistics of International Trade in Services*[3] should focus on improving the quality of data, rather than introducing more detailed statistics.

What coordinating role could the Organisation for Economic Cooperation and Development play?

7. The challenge set by the United Nations is an ambitious one. In order to make it feasible to meet that challenge, the scope of the coordination exercise needs to be well defined and focused. OECD is well placed to play some sort of coordination role in this field, as it has a variety of very active expert groups tackling many of the key issues in service statistics and participates in other relevant groups. OECD has a demonstrated capacity to tackle cross-cutting issues effectively in a horizontal manner. The closeness of policy work to statistics in OECD continually informs decisions on statistical priorities, and, more recently, with the creation of the High Level Group (HLG) on Statistics, direct input from heads of statistics offices can assist the development of a strategic view. On the other hand, while OECD works with many developing countries, it does not represent them and may need assistance from others in finding necessary contacts. Also, the OECD staff resources that can be devoted to this exercise are very limited.

8. The coordination process must be administratively light, practical and relevant to all the participant organizations, groups and individuals. It should include the creation of a central information point for service statistics. While OECD may seek to coordinate, it cannot attempt to manage the work of expert groups or other international organizations. Progress can be made only on the basis of consensus and good will.

9. Key international and OECD groups working on service statistics are set out in the box below. That list is far from exhaustive, especially beyond OECD. Are there other important groups that should be included? The question arises as to how wide one should cast the net. What is the scope of service statistics in this context? While service statistics is a cross-cutting theme, particular problems relate to the definition of service activities and products, the definition and measurement of service output in both current and constant prices, international trade, employment and the measurement of new dynamic or problematic service activities and products. All these areas are provisionally included, as are the collection and dissemination of data.

Proposals on the role of the Organisation for Economic Cooperation and Development

10. A simple, light and feasible approach to coordination could be achieved if we could identify issues and contact persons, who would normally, but not exclusively, be from OECD, and if each contact person could:

(a) Undertake to provide annually a brief report on progress, and new outputs for the Statistical Commission and the Voorburg Group on Service Statistics, as well as coordinate, where possible, with other non-OECD expert groups working in similar areas;

(b) Maintain, where appropriate, a web page with outputs and information about the work and outputs of the expert groups and/or URL links to any other groups working in a similar area;

(c) Contribute to ideas and proposals on service statistics strategy.

International and OECD groups working on service statistics

International working groups

- Voorburg Group on Service Statistics: main umbrella group for service methodological development (Chair, Magali Demotes-Mainard, Institut National de la Statistique et des Études Économiques (INSEE) France)
- United Nations Expert Group on International Economic and Social Classifications: Technical Subgroup (TSG) (Chair of TSG, Paul Johanis, Statistics Canada)
- United Nations Inter-agency Task Force on Statistics of International Trade in Services (TFSITS) (Chair, Bill Cave, OECD)

Relevant OECD expert groups include (with contact name)

- OECD-Eurostat Task Force on Service Producer Price Indices (Seppo Varjonen)
- Short-Term Indicators for Services Task Force (STISTF) (Eun-Pyo Hong)
- OECD-Eurostat Expert Group on Trade-in-Services Statistics and the International Trade Statistics Group (Andreas Lindner/Bill Cave)
- Working Party on Indicators of the Information Society (WPIIS) (Andrew Wyckoff/Sheridan Roberts)
- National Accounts Expert Group (François Lequiller)
- National Accounts Task Force on Financial Services (Paul Schreyer)
- National Accounts Task Force on Non-Life Insurance (François Lequiller)
- Statistical Working Party of the Tourism Committee (Alain Dupeyras)
- OECD network of experts on national health accounts, in charge of implementation of the OECD manual "A System of Health Accounts" (Manfred Huber)
- Statistical Working Party of the Committee on Industry and Business Environment (SWIC) (Dirk Pilat)
- Globalisation Experts of SWIC (Thomas Hatzichronoglou)
- National Experts on Science and Technology Indicators (NESTI) (Dominique Guellec)

Other international groups whose work is in part very relevant to service statistics

- Round Table on Business Survey Frames
- United Nations Economic Commission for Europe (ECE)/OECD/Eurostat Steering Group on Business Registers
- Eurostat Steering Group on Structural Business Statistics
- Ottawa Group on Prices
- Technical Expert Groups (TEG) on Producer Price Indices (PPI) and Consumer Price Indices (CPI)
- Delhi Group on Informal Economy; IMF Balance of Payments Statistics Committee
- Canberra II Group on the Measurement of Non-Financial Assets
- International Conference of Labour Statisticians

11. The OECD Statistics Directorate would integrate news of developments from these groups' reports into one summary report annually for the Statistical Commission and the Voorburg Group. An important task in 2004 would be the development of a strategy discussion paper for the Commission. OECD would create and maintain a central web page on service statistics with issues, news, documents and links. The precise scope of the coordination work and form of reports would need to be further discussed. This would be done in consultation with the OECD contacts, the United Nations Statistics Division, the Voorburg Group, the OECD High Level Group on Statistics and other participating international organizations.

Principal service measurement issues

12. Significant progress has been made over the past 20 years in the measurement of services. Important examples include the development of the Central Product Classification, the 1993 System of National Accounts, the third revision of International Standard Industry Classification, the *Balance of Payments Manual, Fifth Edition*, of the International Monetary Fund (IMF), the Statistical Office of the European Communities (Eurostat) *Handbook on Price and Volume Measures* and the *Manual on Statistics of International Trade in Services*. These have set out basic concepts, definitions, frameworks and international standards for describing services and compiling statistics. There is widespread agreement in many areas about how service activity should in theory be measured, but practice is much more complex, varied and often inadequate.

13. Apart from the development of a strategy for international work on services, there appears to be a broad consensus on certain basic measurement questions relating to services that need to be answered by economic statisticians. These include very fundamental problems such as:

(a) What the real output of services is;

(b) How to measure international trade in services;

(c) Problems related to surveying service activities.

14. The first question is the basic question that was put to the Voorburg Group in the 1980s. It can be broken down into a number of component problems, including: how to classify service products and activities, determining the size and structure of the service sector, how to measure current price services output and input, how to deflate the output, etc. Other specific problems could include developing country issues; employment issues; sectoral issues, including tourism, health services and the public sector; policy-relevant issues; analysis of relationships between services and the rest of the economy; and special issues such as how to assess the quality and the change in quality of services.

15. In concrete terms, the idea is to develop a matrix of issues/groups/coordinators and relevant information. A draft proposal is set out in table 2.

Table 1
Summary of service measurement issues

Main issue	*Description*	*Sub-issue*
1	Service statistics strategy	
2	Classifications	Classifications of activities/products
3	Measurement of real output of services	What is the size and structure of the service sector?
		Definition of service output
		Measuring current price output and inputs
		(a) turnover/value added by activity
		(b) turnover by product
		(c) purchases
		(d) labour
		(e) capital
		Measuring service prices (deflation of service output)
		Estimating service export and import prices
		Short-term service output indicators
		Estimation of real service output in national accounts
4	Measuring international trade in services	Balance-of-payments trade in services
		Foreign affiliates trade in services
		Mode 4 trade in services
		Trade indicators
5	Surveying service activities	Business registers
		Statistical units
		Business statistics
6	Other policy-relevant issues	ICT and information society statistics
		Research and development (R&D) statistics
		Innovation statistics
		Science and technology indicators
7	Specific sectoral issues	e.g., tourism/financial/insurance/business services/health/education/public sector
8	Specific developing country issues	Disseminating methodological work
		Technical assistance — expert networks
		Informal economy
		Non-observed economy
9	Special measurement and analytical issues	Assessing quality and quality change of services
		Voluntary unpaid services
		Non-profit institutions
		Analysing the relationship between services and the rest of the economy

Table 2
Draft matrix of groups, issues and contacts

Main issue	*Sub-issue*	*Comment/URL*	*Data collection*	*Groups*	*Proposed contact persons*
1 Service statistics strategy				OECD/HLG **Voorburg Group**	Enrico Giovannini/Bill Cave (OECD) Magali Demotes-Mainard (INSEE)
2 Classifications	Classifications of activities/products			United Nations/TSG **Voorburg Group**	Ralf Becker (Statistics Division) Paul Johanis (Statistics Canada
3 Measurement of real output of services	What is the size and structure of the service sector?		OECD; Eurostat		Andreas Lindner (OECD) Paul Feuvrier, Inger Öhman (Eurostat)
	Measuring current price output and inputs (a) turnover/value added by activity (b) turnover by product (c) purchases (d) labour (e) capital		(a), (b), (c), (d) — United Nations; OECD; Eurostat		
	Measuring service prices (deflation of service output)	Service PPIs		**Voorburg Group; OECD-Eurostat Services PPI Group**	Irwin Gerduk (United States Bureau of Labor Statistics) Seppo Varjonen (OECD)
		PPI Manual CPI Manual		International Labour Organization Inter-secretariat Working Group on Price Statistics; IMF TEG PPI; ILO TEG CPI; Ottawa Group	
	Prices of exports and imports of services			IMF TEG PPI	Kim Zieschang (IMF)

Main issue	*Sub-issue*	*Comment/URL*	*Data collection*	*Groups*	*Proposed contact persons*
	Short-term service output indicators		OECD in part	OECD/STISTF	Eun-Pyo Hong (OECD)
	Estimation of real service output in national accounts		United Nations; OECD; Eurostat	OECD/national accounts experts; **Task Force on Financial Services; Task Force on Non-Life Insurance Services**; Inter-secretariat Working Group on National Accounts	François Lequiller (OECD) Ivo Havinga (Statistics Division)
4 Measuring international trade in services	Balance-of-payments trade in services		IMF; OECD; Eurostat	**OECD-Eurostat Expert Group on trade in services statistics; United Nations Inter-agency TFSITS**	Bill Cave (OECD)
	Foreign affiliates trade in services	Part of indicators of economic globalization	OECD; Eurostat	OECD globalization experts	Thomas Hatzichronoglou (OECD)
	Mode 4 trade in services			**United Nations TSG on mode 4**	Ivo Havinga (Statistics Division)
	Trade indicators			OECD Group	Andreas Lindner (OECD)
5 Surveying service activities	Business registers	http://forum.europa.eu.int/irc/dsis/businessurvey/info/data/links.htm		Round Table on Business Survey Frames ECE/OECD/Eurostat Steering Group on Business Registers	Andreas Lindner, Denis Ward (OECD) Arto Luhtio (Eurostat)

Main issue	*Sub-issue*	*Comment/URL*	*Data collection*	*Groups*	*Proposed contact persons*
	Statistical units			Eurostat Task Force on Statistical Units	Hans-Eduard Hauser (Eurostat)
	Business statistics	Analytical issues related to services	OECD; Eurostat	Eurostat Steering Group on Structural Business Statistics; OECD SWIC	Dirk Pilat, Andreas Lindner (OECD)
6 Other policy-relevant issues	ICT and information society statistics		OECD; Eurostat	OECD WPIIS **Voorburg Group**	Sheridan Roberts (OECD) Lea Parjo (Statistics Finland)
	R&D statistics	Frascati Manual	OECD; Eurostat	OECD NESTI	Dominique Guellec (OECD)
	Innovation statistics	Oslo Manual	OECD; Eurostat	OECD NESTI	Dominique Guellec (OECD)
	Science and technology indicators		OECD	OECD NESTI	Dominique Guellec (OECD)
7 Specific sectoral issues	Tourism/financial/ insurance/health/ public sector, etc		Various	Various	
8 Specific developing country issues	Technical assistance and access to information				Paul Schreyer (OECD)
	Informal economy			Delhi Group	?
	Non-observed economy				
9 Special measurement issues	Assessing quality and quality change of services			**Voorburg Group service PPIs** in part	?
	Voluntary unpaid services				?

Main issue	*Sub-issue*	*Comment/URL*	*Data collection*	*Groups*	*Proposed contact persons*
	Non-profit institutions				?
	Relationship between services and rest of economy			OECD SWIC	Dirk Pilat (OECD)
10 Database on international trade in services			Statistics Division		Ronald Jansen

Note: Bold indicates groups principally focused on services. The outputs, existing and planned, of groups should be elaborated.

Developing a strategy for service statistics

16. In addition to reviewing current data availability and development work, any attempt to take a strategic view on service statistics requires some assessment of data users and their analytical needs. Users may include central banks, national accountants, trade analysts/negotiators, ministries of finance and industry, economic forecasters, business and academia. This would take into account user needs in terms of sectoral interests, such as in the areas of health, education, tourism, financial services, audio-visual services, etc., but only insofar as there is a need to make comparisons across sectors.

Timetable

17. A consultation paper on service coordination and strategy development proposals was prepared in August 2003 and was presented to the Voorburg Group, the OECD Statistical Working Party of the Committee on Industry and Business Environment, and the Inter-Agency Task Force on Statistics of International Trade in Services meetings in October and November 2003. It will be sent to heads of statistics offices in the main international organizations, including the United Nations regional organizations, asking for their comments and availability to cooperate in this coordinating effort.

18. Work on the matrix of service themes, expert groups, contacts, strategic issues, data collection and other useful summary information presented in table 2 of the present document is ongoing and will be further developed.

19. OECD plans to set up web pages by the end of 2003 devoted to international work on service statistics, with statistics, information and links to pages of relevant international groups. When this is done the United Nations Statistics Division will be invited to consider establishing some links on its web site.

20. OECD plans to work closely with the Statistics Division, the Voorburg Group and the Inter-Agency Task Force on Statistics of International Trade in Services. OECD would like to establish an e-mail group of key service statistics contacts in the other international organizations and groups regarding this ongoing project.

21. A proposal paper on service coordination and strategy should be prepared by December 2003 for presentation to the Statistical Commission and the OECD High Level Group in March 2004.

22. By March 2004:

(a) The identification of any other important areas of service work in which OECD currently has limited or no participation should be sought;

(b) Issues concerning service-related data collection, both current and planned, should be considered.

23. In spring 2004 OECD will prepare a service strategy consultation document to be presented to a representative range of relevant expert meetings.

24. In 2005 OECD will present to the Statistical Commission a paper setting out international service statistics activities and a summary of progress. It will identify

important gaps, duplications of effort and any proposals for a strategy on future work and its organization.

Progress of principal service statistics groups

25. In 2003 activity has intensified on the coordinated revision and updating of the fundamental frameworks that underpin the production of useful and comparable statistics on services. These include the System of National Accounts, planned to be updated in 2008, the *Balance of Payments Manual* (2008), the International Standard Industrial Classification of All Economic Activities (2007) and the Central Product Classification (2007).

26. Progress reports of the Voorburg Group on Service Statistics (E/CN.3/2004/11) and of the Inter-Agency Task Force on Statistics of International Trade in Services (room document) are also being submitted to the Commission.

27. Upcoming service statistics events planned in 2004 include a one-day seminar on price and volume measurement in the service sector as part of the meeting of the ECE Conference of European Statisticians in June 2004 and a one- or two-day workshop, which will focus on service sector statistics and empirical analysis of service sector performance, to be held by the OECD Statistical Working Party of the Committee on Industry and Business Environment from 15 to 17 November 2004. The workshop is being planned in coordination with the European Commission.

Notes

[1] Comments or questions regarding this report can be sent to std.servstat@oecd.org.

[2] See E/CN.3/2003/12.

[3] Statistical Papers, No. 86 (United Nations publication, Sales No. E.02.XVII.11).